

**REPORT OF THE AUDIT OF THE
GRANT COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, County Judge/Executive
Honorable Judy A. Fortner, Grant County Clerk
Members of the Grant County Fiscal Court

The enclosed report prepared by Stephens & Lawson, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Grant County, Kentucky, for the year ended December 31, 2001.

We engaged Stephens & Lawson, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, PSC, evaluated the Grant County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GRANT COUNTY CLERK**

Calendar Year 2001

EXECUTIVE SUMMARY

GRANT COUNTY JUDY A. FORTNER, COUNTY CLERK CALENDAR YEAR 2001 FEE AUDIT

The Grant County Clerk's 2001 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

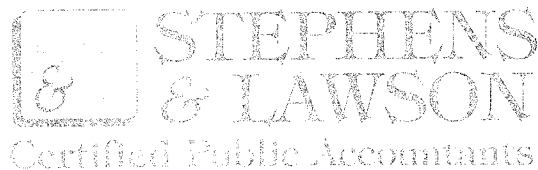
Excess fees increased by \$13,036 from the prior calendar year, resulting in a cash surplus of \$114,865 as of December 31, 2001. Revenues increased by \$308,634 from the prior year and disbursements increased by \$295,598.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Statement of Receipts, Disbursements, and Excess Fees	2
Notes to Financial Statement	5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	7



To the People of Kentucky

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Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Grant County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
September 17, 2002

GRANT COUNTY
JUDY A. FORTNER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

RECEIPTS

State Fees For Services		\$	8,398
Fiscal Court			5,585
Licenses and Taxes:			
Motor Vehicle -			
Licenses and Transfers	\$	590,697	
Usage Tax		2,781,423	
Tangible Personal Property Tax		1,452,101	
Licenses -			
Marriage		8,694	
Occupational		1,763	
Deed Transfer Tax		57,393	
Delinquent Tax		155,396	5,047,467
Fees Collected For Services:			
Recordings -			
Deeds, Easements, and Contracts	\$	18,080	
Real Estate Mortgages		54,227	
Chattel Mortgages and Financing Statements		72,344	
All Other Recordings		25,151	
Charges for Other Services -			
Copywork		3,455	173,257
Other:			
Mail in Postage Fees	\$	632	
Motor Vehicle Lien Release Fees		6,196	
Fee Overpayments		26,143	
Collection of Returned Checks		16,357	
Miscellaneous		648	49,976
Interest Earned			5,925
TOTAL RECEIPTS (CARRIED FORWARD)		\$	5,290,608

The accompanying notes are an integral part of the financial statement.

GRANT COUNTY**JUDY A. FORTNER, COUNTY CLERK****STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**

Calendar Year 2001

(Continued)

DISBURSEMENTS

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$	448,756	
Usage Tax		2,698,540	
Tangible Personal Property Tax		522,355	
Licenses -			
Delinquent Tax		20,052	
Legal Process Tax		22,521	
Candidate Filing Fees		380	\$ 3,712,604

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	151,548	
Delinquent Tax		21,792	
Deed Transfer Tax		54,523	
Occupational Licenses		1,437	229,300

Payments to Other Districts:

Tangible Personal Property Tax	\$	720,131	
Delinquent Tax		77,502	797,633

Payments to Sheriff

1,850

Payments to County Attorney

23,182

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies' Salaries	\$	191,814
Part Time Salaries		16,244

Employee Benefits -

Employer's Share Social Security	19,899
Employer's Share Retirement	17,386
Employer's Paid Health Insurance	19,878

Contracted Services -

Advertising	305
Printing and Binding	2,754
Clerk's Bond and Supplies	737
Telephone	1,508

Materials and Supplies -

Office Supplies	16,417
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Other Charges -

Conventions and Travel	157
Dues	600
Postage	6,343
Returned Checks	18,572
Refunds - Fee Overpayments	26,167

The accompanying notes are an integral part of the financial statement.

GRANT COUNTY
JUDY A. FORTNER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

DISBURSEMENTS (Continued)

Capital Outlay -			
Office Equipment	<u>\$ 7,487</u>	\$ 346,268	
Total Disbursements			<u>\$ 5,110,837</u>
Net Receipts			\$ 179,771
Less: Statutory Maximum			<u>61,306</u>
Excess Fees			\$ 118,465
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2001			\$ 114,865
Payment to County Treasurer - January 18, 2002		\$ 114,598	
September 17, 2002		<u>267</u>	<u>114,865</u>
BALANCE DUE AT COMPLETION OF AUDIT			<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statement.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

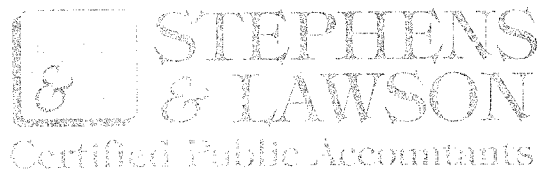
The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

NOTE 4 – SOFTWARE LICENSE AGREEMENT

The office of the County Clerk is committed to a software license agreement with Software Management, Inc. for the period September 6, 2000 through September 5, 2005. The agreement requires an annual payment of \$2,700 (payable in monthly installments of \$225). The total balance of the agreement is \$8,100 as of December 31, 2001.

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**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
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Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, County Judge/Executive
Honorable Judy A. Fortner, Grant County Clerk
Members of the Grant County Fiscal Court

Report on Compliance and on Internal Control Over Financial Reporting Based on an
Audit of the Financial Statement Performed in Accordance With Government Auditing Standards

We have audited the Grant County Clerk as of December 31, 2001, and have issued our report thereon dated September 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Grant County Clerk's financial statement as of December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grant County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
September 17, 2002